MAZARS Mostafa Shawki
Accountants & Auditors

WAHID ABDEL GHAFFAR & CO.
Accountants & Consultants

SOCIETE ARABE INTERNATIONALE DE BANQUE (SAIB) (S.A.E.)

FINANCIAL STATEMENTS TOGETHER WITH AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2017

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MAZARS

MAZARS Mostafa Shawki
Accouutants & Auditors

BAKER TILLY

WAHID ABDEL GHAFFAR & CO.
Accountants & Consultants

TRANSLATION OF AUDITORS' REPORT
ORIGINALLY ISSUED IN ARABIC

AUDITORS' REPORT

To the Shareholders of Societe Arabe Internationale de Banque (SAIB) - S.A.E.

Report on the Financial Statements

We have audited the accompanying financial statements of **Societe Arabe Internationale de Banque (SAIB) S.A.E.** compromised of the balance sheet as of December 31, 2017, and the statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Central Bank of Egypt's rules according to rules of the preparation and presentation of the financial statements and measurement and recognition bases approved by its board of directors on December 16, 2008 and in view of prevailing Egyptian laws, management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, management responsibility also includes selecting and applying the appropriate accounting policies, and performing the accounting estimates that are reasonable to the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards of Auditing and in the light of prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit process involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate with circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, the audit process also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

MAZARS

MAZARS Mostafa Shawki
Accountants & Auditors

BAKER TILLY

WAHID ABDEL GHAFFAR & CO.
Accountants & Consultants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Societe Arabe Internationale de Banque (SAIB) - S.A.E.** as of December 31, 2017, and of its financial performance, and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules, according to the rules of the preparation and presentation of the financial statements and measurement and recognition bases approved by its boards of directors on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements .

Report on Legal and other Regulatory Requirements

The bank maintains proper books of account, which includes all that is required by Law and the Statutes of the bank, the financial statements are in agreement thereto.

According to the information and explanations given to us during the financial year ended December 31, 2017 no contravention of the Central Bank, Banking and Monetary Institution Law No.88 of 2003.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank`s books of account.

Cairo: 27 February 2018.

AUDITORS

TAREK ELMENSHAWY
MAZARS MOSTAFA SHAWKI
Accountants & Auditors

MOHAMED MAHMOUD EL SAYED
BAKER TILLY Wahid Abdel Ghaffar & Co.
Public Accountants & Consultants

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

BALANCE SHEET AS OF DECEMBER 31, 2017

(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2017	31/12/2016
ASSETS			
Cash and due from Central Bank of Egypt	(15)	248 702 970	162 648 781
Due from banks	(16)	556 080 043	343 777 825
Treasury bills	(17)	574 020 818	608 381 080
Loans and credit facilities to banks	(18)	49 031 608	--
Loans and credit facilities to customers	(19)	1 569 338 445	1 289 560 998
Financial Investments:			
-Available for sale	(20)	47 149 497	184 604 640
-Held to maturity	(20)	1 516 140 253	1 491 058 980
Investments in associated companies	(21)	183 031	180 586
Intangible assets	(22)	23 912	25 602
Other assets	(23)	80 667 418	85 308 103
Fixed assets	(24)	45 302 498	38 034 943
Total Assets		**4 686 640 493**	**4 203 581 538**
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES			
Due to banks	(25)	285 705 557	300 337 161
Customers' deposits	(26)	3 742 804 498	3 340 565 541
Other loans	(27)	238 118 981	161 322 759
Other liabilities	(28)	89 349 281	96 776 361
Other provisions	(29)	2 918 606	11 946 308
Deferred tax liability	(30)	593 727	438 117
Total Liabilities		**4 359 490 650**	**3 911 386 247**
SHAREHOLDERS EQUITY			
Paid-up capital	(31)	150 000 000	150 000 000
Reserves	(32)	80 547 878	65 999 885
Retained earnings	(32)	96 601 965	76 195 406
Total Shareholders' Equity		**327 149 843**	**292 195 291**
Total Liabilities and Shareholders' Equity		**4 686 640 493**	**4 203 581 538**

- Auditors' Report attached.
- The accompanying notes from (1) to (38) are an integral part of these financial statements.

AUDITORS

Tarek El Menshawy
MAZARS MOSTAFA SHAWKI

Mohamed Mahmoud El Sayed
Baker Tilly Wahid Abdel Ghaffar & Co.

Chief Financial Officer
Hamdy Ghazy Ibrahim

Vice Chairman and Managing Director
Hassan Abdel Meguid

Chairman and Managing Director
Mohammed Naguib Ibrahim

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2017	31/12/2016
Loans interest and similar income	(6)	482 690 742	631 175 961
Cost of deposits and similar expenses	(6)	(376 947 851)	(466 082 127)
Net interest income		**105 742 891**	**165 093 834**
Fees and commissions income	(7)	33 173 655	28 298 298
Fees and commissions expenses	(7)	(1 668 104)	(777 017)
Net Fees and Commissions Income		**31 505 551**	**27 521 281**
Dividends income	(8)	859 670	1 692 278
Net trading income	(9)	4 787 396	5 102 991
(Loss) Gain from Financial Investments	(20)	(4 960 844)	543 788
Impairment (expenses) recovery from credit losses	(12)	(1 723 376)	1 893 768
Administrative expenses	(10)	(61 594 736)	(68 050 182)
Other operating (expenses) income	(11)	8 678 594	(807 908)
(Loss) Income from Investments in associated companies	(21)	(3 187)	22 937
Profit before income taxes		**83 291 959**	**133 012 787**
Income taxes (expenses)	(13)	(46 875 145)	(84 489 891)
Net profit for the year		**36 416 814**	**48 522 896**
Earnings per basic share (US Dollar/Share)	(14)	**1,93**	**2,42**

- The accompanying notes from (1) to (38) are an integral part of these financial statements.

Chief Financial Officer
Hamdy Ghazy Ibrahim

Vice Chairman and Managing Director
Hassan Abdel Meguid

Chairman and Managing Director
Mohammed Naguib Ibrahim

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts expressed in US Dollars)

	Note No.	31/12/2017	31/12/2016
Cash Flows from Operating Activities			
Profit before income tax		83 291 959	133 012 787
Adjustments to Reconcile Net Profit to Net Cash Flows from Operating Activities			
Depreciation and amortization	(10)	6 133 292	5 138 713
Impairment (expenses) recovery of assets	(12,20)	2 081 671	(1 893 768)
Impairment expenses of other provisions	(11)	(9 140 519)	51 123
(Used) from provisions other than loan provision	(29)	--	(140 934)
Dividends income	(8)	(859 670)	(1 692 278)
Premium of held to maturity bonds	(20)	1 110 240	1 782 847
Discount of held to maturity bonds	(20)	(7 153 545)	(5 379 838)
Loss (Profits) from sale of financial investments	(20)	4 602 549	(543 788)
Loss (Income) From investments in associates companies	(21)	3 187	(22 937)
(Gain) from sale of fixed assets	(11)	(7 858)	(12 353)
Operating profit before changes in assets and liabilities provided from operating activities		**80 061 306**	**130 299 574**
Net Decrease (Increase) in Assets & Liabilities			
Due from banks		(69 509 796)	54 843 029
Treasury bills		34 360 262	173 308 753
Loans and credit facilities for banks		(49 031 608)	--
Loans and credit facilities for customers		(281 972 796)	315 306 093
Other assets		(523 580)	57 214 061
Due to banks		(14 631 604)	76 892 886
Customers' deposits		402 238 957	(2 130 416 311)
Other liabilities		(7 252 007)	(59 849 156)
Other provisions		--	94 939
Paid income tax		(46 894 608)	(78 411 005)
Translation differences		(27 719 952)	2 019 334 651
Net cash flows Provided From operating activities		**19 124 574**	**558 617 514**
Cash Flows from Investing Activities:			
(Payments) for purchase of fixed assets and branches preparation		(8 231 927)	(10 352 089)
Proceeds from sale of fixed assets		7 858	12 353
Proceeds from sale of financial investments other than financial assets held for trading investments		199 164 424	303 920 731
Purchase of financial investments other than financial assets held for trading investments		(25 619 088)	(967 472 500)
Dividends income received		859 670	1 692 278
Net Cash Flows Provided From (used in) investing activities		**166 180 937**	**(672 199 227)**

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All Amounts are Expressed in US Dollars)

	Note No.	31/12/2017	31/12/2016
Cash Flows from Financing Activities:			
Collected from other loans		60 547 512	65 735 047
Payments for from other loans		(4 818 412)	(5 131 566)
Dividends paid		(12 188 000)	(12 188 000)
Net cash flows provided from financing activities		**43 541 100**	**48 415 481**
Net increase (decrease) in cash and cash equivalents during the year		228 846 611	(65 166 232)
Cash and cash equivalents at the beginning of the year		**192 969 854**	**258 136 086**
Cash and cash equivalents at the end of the year		**421 816 465**	**192 969 854**
Cash and Cash Equivalents at Year-End are Represented as follows :			
Cash and due from Central Bank of Egypt	(15)	248 702 970	162 648 781
Due from banks	(16)	556 080 043	343 777 825
Treasury bills	(17)	574 020 818	608 381 080
Balances with Central Bank of Egypt (mandatory reserve)	(15)	(205 166 548)	(140 956 752)
Balances due from banks maturing more than three months		(177 800 000)	(172 500 000)
Treasury bills maturing more than three months	(17)	(574 020 818)	(608 381 080)
Cash and cash equivalents at year-end	(34)	**421 816 465**	**192 969 854**

- The accompanying notes from (1) to (38) are an integral part of these financial statements.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman and Managing Director
Hamdy Ghazy Ibrahim	Hassan Abdel Meguid	Mohammed Naguib Ibrahim

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(All Amounts Expressed in US Dollars)

	Note No.	Paid up Capital	Legal Reserve	General Banking Risk Reserve	Special Reserve	General Reserve	Capital Reserve	Fair Value Reserve - available for sale financial investments	Retained Earnings	Total
31/12/2016										
Balance as of 1/1/2016		**150 000 000**	**58 872 767**	**8 885 955**	**3 337 162**	**14 291 493**	**1 127 892**	**14 430 718**	**47 796 384**	**298 742 371**
Transferred to general banking risk reserve	(32/a)	--	--	1 496 269	--	--	--	--	(1 496 269)	--
Transferred to legal reserves	(32/b)	--	4 283 537	--	--	--	--	--	(4 283 537)	--
Transferred to general reserve	(32/e)	--	--	--	--	2 000 000	--	--	(2 000 000)	--
Transferred to capital reserve	(32/e)	--	--	--	--	--	156 068	--	(156 068)	--
Dividends paid for year 2015		--	--	--	--	--	--	--	(12 188 000)	(12 188 000)
Net change in financial investments available for sale	(32/c)	--	--	--	--	--	--	(42 796 431)	--	(42 796 431)
Amortization of Fair value reserve for bonds reclassified from available for sale to held to maturity date	(32/c)	--	--	--	--	--	--	2 368 337	--	2 368 337
Translation differences	(32/c)	--	--	--	--	--	--	(2 453 882)	--	(2 453 882)
Net profit for the year 2016		--	--	--	--	--	--	--	48 522 896	48 522 896
Balance as of 31/12/2016		**150 000 000**	**63 156 304**	**10 382 224**	**3 337 162**	**16 291 493**	**1 283 960**	**(28 451 258)**	**76 195 406**	**292 195 291**

SAIB

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
(All Amounts are Expressed in US Dollars)

31/12/2017	Note No.	Paid up Capital	Legal Reserve	General Banking Risk Reserve	Special Reserve	General Reserve	Capital Reserve	Fair Value Reserve - available for sale financial investments	Retained Earnings	Total
Balance as of 1/1/2017		**150 000 000**	**63 156 304**	**10 382 224**	**3 337 162**	**16 291 493**	**1 283 960**	**(28 451 258)**	**76 195 406**	**292 195 291**
Transferred to general banking risk reserve	(32/a)	--	--	(3 041 152)	--	--	--	--	3 041 152	--
Transferred to legal reserves	(32/b)	--	4 851 054	--	--	--	--	--	(4 851 054)	--
Transferred to general reserve	(32/e)	--	--	--	--	2 000 000	--	--	(2 000 000)	--
Transferred to capital reserve	(32/c)	--	--	--	--	--	12 353	--	(12 353)	--
Dividends paid for year 2016		--	--	--	--	--	--	--	(12 188 000)	(12 188 000)
Net change in financial investments available for sale	(32/c)	--	--	--	--	--	--	2 486 109	--	2 486 109
Amortization of Fair value reserve for bonds reclassified from available for sale to held to maturity date	(32/c)	--	--	--	--	--	--	8 239 629	--	8 239 629
Net profit for the year 2017		--	--	--	--	--	--	--	36 416 814	36 416 814
Balance as of 31/12/2017		**150 000 000**	**68 007 358**	**7 341 072**	**3 337 162**	**18 291 493**	**1 296 313**	**(17 725 520)**	**96 601 965**	**327 149 843**

- The accompanying notes from (1) to (38) are an integral part of these financial statements.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman and Managing Director
Hamdy Ghazy Ibrahim	Hassan Abdel Meguid	Mohammed Naguib Ibrahim

TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN ARABIC

STATEMENT OF PROFIT APPROPRIATION FOR THE YEAR ENDED DECEMBER 31, 2017

(All amounts expressed in US Dollars)

	31/12/2017	31/12/2016
Net profit for the year	36 416 814	48 522 896
Less:		
Gain from sale of fixed assets transferred to capital reserve according to the law	(7 858)	(12 353)
General Banking Risk Reserve	(2 173 293)	3 041 152
Net profit for the year available for appropriation	**34 235 663**	**51 551 695**
Add:		
Retained earnings at beginning of the year	60 185 151	27 672 510
Total	**94 420 814**	**79 224 205**
Appropriated as follows:		
Legal reserve	3 640 896	4 851 054
Risk reserve (IFRS 9)*	21 342 356	--
General reserve	--	2 000 000
Shareholders' profit share	15 000 000	--
Employees' profit share	7 500 000	10 188 000
Board of Directors' remuneration	--	2 000 000
Retained earnings at end of the year	46 937 562	60 185 151
Total	**94 420 814**	**79 224 205**

*A risk reserve was provided (IFRS 9) by 1% of the total weighted credit risk from the net profit after tax of the year 2017 (Note.32).

Vice Chairman and Managing Director
Hassan Abdel Megid

Chairman and Managing Director
Mohammed Naguib Ibrahim

TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS ORIGINALLY ISSUED IN ARABIC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. GENERAL INFORMATION

Societe Arabe Internationale de Banque (SAIB) provides retail, corporate banking and investment banking services inside and outside Egypt through 36 branches, the bank employs 1 201 people as at the balance sheet date.

The bank was established in accordance with Law No. 43. The Head office is located in 56 Gamaet El Dewal El Arabeya St, Giza. The Bank is listing on the Cairo & Alex Stock Exchange.

The banks' financial statements was approved by the board of directors in February 25,2018 (The General Assembly have the right to modify this financial statements after issuing)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis for Preparation of Financial Statements

The financial statements were prepared in accordance with the Egyptian Accounting Standards issued in 2006 and its amendments in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors as of December 16, 2008 consistent with the standards referred to and on the basis of historical cost as modified by the revaluation of financial assets and liabilities held for trading and the financial assets and liabilities at fair value through profit or loss and the financial investments available for sale.

b. Associated companies

Associated companies are all entities over which the Bank has direct or indirect significant influence but no control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

The purchase method is used for the accounting of the acquisitions of the companies by the Bank. The acquisition cost is measured at fair value, or the assets offered by the bank as return for purchase and/or the tools of property rights issued and/or obligations incurred by the Bank and/or the obligations accepted on behalf of the company acquired at the date of exchange, plus any costs directly attributable to the acquisition process. The net assets are measured, including contingent liabilities identifiable acquired by fair value at the date of acquisition.

The investments are evaluated in an associated company, by the financial statements of the bank according to the equity method under which the investment in any company is proven initially in any associates company by the cost then the balance of the investment increases or decreases to prove the Bank's share of profits or losses of the company invested in after the acquisition company. That share is proven under the note "Profit or loss of investments in associates companies" in the income statement during the preparation of the financial statements. The balance of the investment is decreased by the value of dividends gained from the company invested in.

c. **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

d. **Foreign currency translation**

d-1 **Functional and presentation foreign currency**

- Transactions are recorded during the year in their original currency. For reporting the financial statements of the bank in US Dollars, at the end of each fiscal period, all assets, liabilities, shareholders' equity and expenses and revenues recorded in a currency other than the US Dollar (except those recorded in Egyptian pounds) are translated to US Dollars using stated exchange rates at that date. Balances shown in Egyptian pounds are translated to US Dollars using the official exchange rates of the central bank of Egypt. This translation has no effect on the income statement.

- The decrease in income statement for the year 2017 comparing to year 2016 is resulting from translation the revenues and expenses in Egyptian pounds to the US Dollar with average exchange rate of 17.78 Egyptian pound/US Dollar during the financial year from January 1,2017 till December 31,2017 against 10.16 Egyptian pound/ US Dollar for the same financial year from previous year and that because of the Egyptian pound exchange rate floated on November 3,2016.

e. **Financial assets**

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and advances; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at the initial recognition.

e-1 **Financial assets at fair value through profit or loss**

- This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.
- A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

- Financial assets are classified at fair value through profit or loss when:
- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue.
- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, and they are designated at fair value through profit and loss.
- Profits and losses arising from changes in fair value of financial derivatives, which are managed in conjunction with the assets or financial liabilities classified at fair value through profit and loss and that in the income statement "item Net income from financial instruments classified at fair value when recognition through profit and loss ".
- Any financial derivative of a valued financial instruments at fair value is not reclassified through profit and loss during the retention period. It also does not re-classify any financial instrument, quoting from a range of financial instruments at fair value through profit and loss if this tool has been customized by the bank at initial recognition as assessed at fair value through profit and loss.
- According to the financial assets which are reclassified in the periods that begin form first of January 2009 it is reclassified according to the fair value in the date of reclassification.
- Bank in all conditions does not reclassify any financial instrument moving to groups of financial instruments reclassified with fair value from profit and loss or to financial assets groups for trading.

e-2 <u>Loans and advances</u>

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the bank upon initial recognition designates at fair value through profit or loss.
- Those that the bank upon initial recognition designates as available for sale.
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

e-3 Held to maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held to-maturity assets, the entire category would be reclassified as available for sale except due to force-majority.

e-4 Available for sale financial assets

Available-for-sale investments are those non - derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following are applied in respect of all financial assets.

- Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.

- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortized cost.

- Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

- Interest is calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the bank's right to receive payment is established.

- The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset or bid prices is unavailable, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost and will be subjected to impairment test.

- The Bank reclassified the financial asset tabbed within the range of financial instruments available for sale, which left the definition of loans and debts (bonds or loans), quoting a set of tools available for sale to the group of loans and advances or financial assets held to maturity – all as the case - when available Bank has the intent and ability to hold these financial assets in the foreseeable future or until maturity and are re-tab at fair value in the history of re-tab, and not process any profits or losses on those assets that have been recognized previously in equity and in the following manner:

  1- In case a financial asset is reclassified, having a fixed maturity is gains or losses are amortized over the remaining life of the investment retained until the maturity date in a manner effective yield is consumed by any difference between the value on the basis of amortized cost and value on an accrual basis over the remaining life of the financial asset using the effective yield method, and in the case of the decay of the value of the financial asset is a later recognition of any gain or loss previously recognized directly in equity in the profits and losses.

  2- In the case a financial asset has no fixed maturity but will continue to realize a profit or loss in equity until the sale of the asset or disposal, then be recognized in the profit and loss In the case of erosion of the value of the financial asset is a later recognition of any gain or loss previously recognized directly within equity in the profits and losses.

- If the Bank adjusts its estimates of actual payments or receipts and amended estimates of the financial asset (or group of financial assets) to reflect the actual cash inflows and the adjusted estimates to be recalculated book value and then calculates the present value of estimated future cash flows at the effective yield of the financial instrument then it is recognized as income or expense in the profit and loss.

- In all cases, if the bank re-Tabs financial asset in accordance with what is referred to The Bank at a later date to increase its estimate of the proceeds of future cash result of the increase will be recovered from the cash receipts, is the recognition of the impact of this increase in settlement of the interest rate effective from the date of change in the estimate and not in settlement of the balance of the original notebook in the history of change in the estimate.

f. <u>Offsetting financial instruments</u>

- Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

- The agreements to buy treasury bills with a commitment to re-sale and agreements to sale treasury bills with a commitment to re-purchase on a net basis within the balance sheet included in treasury bills and other eligible bills.

g. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When loans or debts are classified as non-performing or impaired ,related interest income are not recognized but rather ,are carried off balance sheet in statistical records and are recognized under revenues according to cash basis as per the following:

1- When collected after redeeming all due from consumer loans and personnel mortgages also small loans for economic activities

2- For loans given to institutions related to the monetary base also, it raises the return after that, according to rescheduling conditions on the loan till paying 25% from rescheduling payments with a minimum one year without being late, if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues (interest on rescheduling without deficits) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

h. Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service is provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue for fees note no (2-g) that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

The postponement of fees represents the link between the loans if there is a possibility the withdrawal of such loans and the fees on the grounds that the link obtained by the Bank is considered compensation for the constant intervention for the acquisition of a financial instrument, Then to be recognized by the amendment to the effective interest rate on the loan in the case of the end of the link without issuing bank for the loan fees are recognized as income at the end of the period of validity of the link.

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time- apportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

i. Dividend income

Dividends are recognized in the income statement when the bank's right to receive dividend is established.

j. Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)

Financial instruments are sold under agreements to repurchase it within the assets added to the balances of the Treasury bills and other governmental papers in the balance sheet. The liability is displayed (purchase agreements and resale) deducted from the balances of the Treasury bills and other governmental papers in the balance sheet. The difference between the sale price and the repurchase price is recognized as income to be accrued throughout the duration of the agreements by using the actual rate of return method.

k. Impairment of financial assets

k-1 Financial assets carried at amortized cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or debtor.
- A breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.

- Granting privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial conditions, which are not granted by the bank in the normal course of business.
- Impairment of guarantee
- Deterioration of creditworthiness.

- A substantive evidence for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset.
- The bank estimates the period between the loss event and identifying thereof for each specific portfolio. In general, the period used varies between three months and 12 months.
- The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Taking into account the following:
- If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment based on historical loss rates.
- Assets that are individually assessed for impairment and for which an impairment loss continues to be recognized are not included in a collective assessment of impairment.
- If the previous assessment resulted in the absence of impairment loss then the assets is included into the group.
- The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.
- If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

k-2 Available for sale financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

During the period starting from January 1, 2009 for listed equity instruments the need to book impairment is analyzed as soon as a significant and prolonged decline on their price below their acquisition cost is observed. The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extended for a period of more than 9 months. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

l. Intangible assets

l-1 Software (computer programs)

Expenses, related to upgrading or maintenance of computer programs, are recognized as expenses in income statement, when incurred. These expenses related directly to a specific software, which are subjected to the bank's control and expected to produce economic benefits exceeding their cost for more than one year, are recognized as an intangible asset. The direct expenses include cost of staff for the software upgrading, in addition to a suitable portion of respective overhead expenses.
The expenses which lead to an increase or expansion of computer software beyond their original specification are recognized as an upgrading cost and are added to the original software cost.

The computer software cost recognized, as an asset shall be amortized over the period expected useful life not more than 3 years.

l-2 Other intangible assets

Intangible assets, other than goodwill and computer programs (for example, trademarks, licenses, benefits of rental contracts) are classified as other intangible assets which are stated at the cost of acquisition and depreciated on a straight-line method or on the basis of the economic benefits expected from it, and that over the estimated useful lives, and for assets that do not have a specific useful life, it is not depreciated, it is tested every year for any impairment (if any) it will be recognized on the income statement.

m. Fixed Assets

Land and buildings comprise mainly branches, offices and the head office premises. All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Computers and Core Systems	5 years
Vehicles	5 years
Fixtures and fittings	5 years
Equipment	5 years
Furniture	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses / income in the income statement.

n. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization (except for goodwill) and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each financial statement's reporting date.

o. Leases

The accounting treatment for the finance lease in accordance with Law 95 of 1995, if the contract entitles the lessee to purchase the asset at a specified date and the value selected, or the current value of the total lease payments representing at least 90% of the value of the asset. Other lease contracts are considered operating leases contracts.

o-1 The lessee

Finance leasing contracts recognizes the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the rights to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Recognition of payments under the operating lease expense minus any discounts obtained from the lesser under expenses in the income statement on a straight-line basis over the term of the contract

p. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills.

q. Other provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events, and the probable outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions which negate the purpose of wholly or partly repaid is allocated in the item of other operating income (expense).

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre –tax rate that reflect current market assessment of the time value of money and the risks specific to the obligation . the increase in the provision due to passage of time is recognized as expenses.

r. Financial guarantees

The financial collateral contracts are contracts issued by the bank as security for loans or debit current accounts due from its clients to other entities which require the bank to make certain payments for compensating the beneficiary for a loss incurred due to default :on the part of the debtor on maturity date, in accordance with conditions of the debt instruments. These financial guarantees are presented to the banks, corporation and other entities on behalf of the bank's clients.

The fair value shall be recognized initially in the financial statements , on date of granting the security. This fair value shall reflect the fee for this security. Consequently, the bank's obligation shall be measured by virtue of the guarantee contract on the basis of the first measurement amount less amortization calculated for recognition of security fees in the income statement, according to the straight line method over the guarantee life term, or based on the best estimate for payments required for settlement of any financial obligation resulting from the financial guarantee on date of balance sheet. Whichever is higher. Such estimates are made based on experience in similar transactions and the historical losses as confirmed by management judgment.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) item.

s. Income tax

Income tax on the profit or loss for the year includes each of year tax and deferred tax and is recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the budget in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the tax base, this is to determinate the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the budget.

Deferred tax assets of the Bank are recognized when there is a reliable probability to realize a profit subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

t. Borrowing

Loans, received by the bank, are recognized first with these fair value less the cost of obtaining the loan. The loan is later measured by the amortized cost, and the income statement is charged with the difference between the net proceeds and the value that will be met over the period of borrowing using the actual return.

u. Capital

u-1 Capital issuance cost

Expenses directly attributed to the issuance of new shares, and the issuance of shares by way of acquisition, or the issuance of share options are charged to equity net of tax.

u-2 Dividends

Dividends deducted from equity for the period in which the General Assembly of the shareholders acknowledges these distributions, and the distribution includes the share of employees in the profits and remuneration of the Board of Directors as prescribed in the articles of association and by Law.

v. Fiduciary activities

The bank practices fiduciary activities that result in ownerships or management of assets on behalf of individuals, trust, and retirement benefit plans and other institution. These assets and income arising thereon are excluded from the bank's financial statements, as they are not assets of the bank.

w. Comparative figures

The comparative figures shall be re-classified, when necessary, to be in conformity with the changes to presentation used in the current year.

3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

a. **Credit risk**

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank Treasury and reported to the Board of Directors and head of each business unit regularly.

a-1 **Credit risk measurement**

- **Loans and advances to banks and customers**

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank reflects three components

- The probability of default by the client or counterparty on its contractual obligations.
- Current exposures to the counterparty and its likely future development, from which the Bank derives the exposure at default.
- The likely recovery ratio on the defaulted obligations (the loss given default).

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These tools were developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into four class rating. The Bank's rating scale, which are shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Bank's internal ratings categories

Bank's rating	Description of the grade
1	Performing loans
2	Regular watch
3	Watch list
4	Non-performing loans

The credit center exposed to failure depends on the amounts which the bank expect to be stand upon the delay, for example, the loans this center is nominal value, for other links, the bank include all the withdrawn amounts in addition to the other amounts that are expected to be drawn till the date of delay. If happened.

Loss given default or loss severity represents the Bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

- **Debt instruments, Treasury bills and other bills**

  For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

a-2 Risk limit control and mitigation policies

The bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual , group, product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored and compared daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

- **Collateral**

  The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of a security for funds advances, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

  - Mortgaged over residential properties.
  - Mortgaged business assets such as inventory and equipments.
  - Mortgaged financial instruments such as debt securities and equities.

  Long-term finance and lending to corporate entities are generally secured. Revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

- **Credit-related commitments**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

a-3 Impairment and provisioning policies

The internal system described in (Note1/a) focus is more on credit-quality mapping from the inception of the lending and investment activities. In contrast impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. The impairment provision shown in the balance sheet at year-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two grading. The table below shows the percentage of the Bank's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	31/12/2017		31/12/2016	
Bank's rating	**Loans and advances (%)**	**Impairment provision (%)**	**Loans and advances (%)**	**Impairment provision (%)**
1-Performing loans	75.10	50.82	67.26	55.33
2-Regular watch	22.35	13.03	30.69	13.56
3-Watch list	1.84	2.07	1.48	1.62
4-Non performing loans	0.71	34.08	0.57	29.49
	100	**100**	**100**	**100**

The internal rating tool assists management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set out by the Bank:

- Insignificant financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted.
- Deterioration in the competitive position of borrower.
- Grant privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.
- Impairment of guarantee
- Deterioration of creditworthiness.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

a-4 <u>Pattern of measuring the general banking risk</u>

In addition to the four categories of the Bank's credit ratings indicated in note (a/1), the management makes small groups more detailed according to the CBE rules, assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The bank calculates the provisions needed for assets facing credit risk impairment in addition to credit regulations according to special percentages. From CBE, in the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the Egyptian accounting standards ,the risk of general banking reserve is included in owners equity deducted from the retained earning with this increase , this reserve is modified with periodic basis with the increase and decrease , which equals the increase in provisions and this reserve is not distributed, discloser no. (32/a) present the movement on the reserve account during the fiscal year.

And this is categories of institutional worthiness according to internal ratings according to CBE rules and rates of provisions needed for assets impairment related to credit risk:

CBE Rating	Categorization	Provision %	Internal Rating	Internal Categorization
1	Low Risk	0	1	Performing loans
2	Moderate Risk	1%	1	Performing loans
3	Satisfactory Risk	1%	1	Performing loans
4	Reasonable Risk	2%	1	Performing loans
5	Acceptable Risk	2%	1	Performing loans
6	Marginally Acceptable Risk	3%	2	Regular watch
7	Watch list	5%	3	Watch list
8	Substandard debt	20%	4	Non Performing loans
9	Doubtful debt	50%	4	Non Performing loans
10	Bad Debt	100%	4	Non Performing loans

a-5 Maximum exposure to credit risk before collateral

Balance sheet items exposed to credit risks:	31/12/2017 US Dollar	31/12/2016 US Dollar
Treasury bills	574 020 818	608 381 080
Loans and credit facilities to banks	49 031 608	--
Loans and credit facilities to customers:		
Individuals:		
-Debit current accounts	97 779 711	164 420 242
-Credit cards	4 926 681	3 928 538
-Personal loans	35 706 083	42 211 077
-Real estate loans	9 925 409	5 515 215
Corporate:		
-Debit current accounts	393 948 496	361 577 956
-Direct loans	222 157 240	181 680 019
-Syndicated loans	801 924 452	528 961 586
-Other loans	2 970 373	1 266 365
Financial investments		
-Debt instrument	1 555 816 949	1 667 500 970
Other assets	80 667 418	85 308 103
Total	**3 828 875 238**	**3 650 751 151**

Off Balance sheet items exposed to credit risk:		
Commitments For Loans and Other Obligations Which irrevocable related to Credit.	23 111 121	18 947 080
Letter of Credit	43 668 582	24 472 005
Letter of guarantee	114 816 519	71 030 807
Total	**181 596 222**	**114 449 892**

The above table represents the worst-case scenario of credit risk exposure to the Bank as at 31 December 2017 and at 31 December 2016, without taking in consideration any guarantee for balance sheet items, amounts stated depend on the net carrying amounts shown in the balance sheet.

- As shown above 42.27 % of the maximum limit exposed to credit risk results from loans and credit facilities to banks and customers as at 31 December 2017 against 35.32% at 31 December 2016 while investments in debt instruments represent 40.63% at 31 December 2017 against 45.68% at 31 December 2016.

- Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 97.45 % of the loans and advances portfolio is categorized in the top two grades of the internal rating system against 97.95% at 31 December 2016.

- 96.05 % of the loans and advances portfolio are considered neither past due nor impaired against 98.12% at 31 December 2016.

- The bank has introduced a more stringent selection process up to grant loans and advances during the financial year ended at 31 December 2017.

- More than 99.74% as at 31 December 2017 against 99.63% as at 31 December 2016 from investments in debt instruments and treasury bills represent debt instruments on the Egyptian Government.

a-6 Loans and credit facilities to customers

The status of balances of loans and credit facilities to customers in terms of credit ratings as follow:

	31/12/2017		31/12/2016	
	US Dollar	US Dollar	US Dollar	US Dollar
Loans and credit facilities	**For customers**	**For banks**	**For customers**	**For banks**
Neither past due nor impaired	1 535 522 940	50 710 500	1 288 632 172	--
Past due but not impaired	53 821 221	--	17 205 432	--
Individually impaired	11 407 911	--	7 433 235	--
Gross	**1 600 752 072**	**50 710 500**	**1 313 270 839**	--
Less:				
Provision for Impairment losses	(25 011 630)	--	(21 286 627)	--
Reserved interest	(1 195 668)	--	(868 540)	--
Advanced interest	(16 040 849)	--	(10 895 702)	--
Unearned discount for trading securities	--	(1 678 892)	--	--
Net	**1 558 503 925**	**49 031 608**	**1 280 220 060**	--

- Total impairment expenses for loans and credit facilities to customers amounted to US Dollar 14 177 110 at 31 December 2017 against US Dollar 11 945 689 at 31 December 2016. Note (19) include additional information on the provision for impairment losses for loans and credit facilities to customers.

Loans and credit facilities neither past due nor impaired

The credit quality of the portfolio of loans and credit facilities that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

Loans and credit facilities to customers
31/12/2017
(US Dollar)

	Individual			Corporate					
Evaluation	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
1-Performing loans	--	--	--	7 789 928	277 861 792	170 082 987	707 174 597	--	**1 162 909 304**
2-Regular watch	97 987 576	4 829 588	38 724 091	7 078 502	110 648 622	31 119 135	51 403 035	1 372 124	**343 162 673**
3-Watch list	--	--	--	--	1 009 510	779 536	27 661 917	--	**29 450 963**
	97 987 576	**4 829 588**	**38 724 091**	**14 868 430**	**389 519 924**	**201 981 658**	**786 239 549**	**1 372 124**	**1 535 522 940**

- Guaranteed loans are not considered subject to impairment for non-performing category after taking into consideration the collectability of the guarantee.

31/12/2016
(US Dollar)

	Individual			Corporate					
Evaluation	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
1-Performing loans	--	--	--	1 894 026	244 870 946	156 320 869	470 346 354	34 234	**873 466 429**
2-Regular watch	163 892 051	3 729 890	42 392 390	6 249 331	107 615 476	18 056 780	54 347 939	721 890	**397 005 747**
3-Watch list	--	--	--	--	7 892 052	3 528 060	6 101 091	638 793	**18 159 996**
	163 892 051	**3 729 890**	**42 392 390**	**8 143 357**	**360 378 474**	**177 905 709**	**530 795 384**	**1 394 917**	**1 288 632 172**

Loans and credit facilities for banks

31/12/2017 (US Dollar) Corporate		
Evaluation	**Other loans**	**Total**
1-Performing loans	50 710 500	50 710 500
2-Regular watch	--	--
3-Watch list	--	--
	50 710 500	**50 710 500**

Loans and credit facilities past due but not impaired

- These are loans and credit facilities less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Loans and credit facilities to customers which past due but are not subject to impairment are as follows:

31/12/2017 (US Dollar) Individual

	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total
Past due up to 30 days	--	100 213	1 010 340	2 391 012	**3 501 565**
Past due 30- 60 days	--	--	70 901	373 134	**444 035**
Past due 60-90 days	--	--	--	40 217	**40 217**
Past due 90-120 days	--	--	--	621 000	**621 000**
Past due 120-150 days	--	--	--	--	--
Past due 150-180 days	--	--	--	--	--
Past due 180-211 days	--	--	--	--	--
Past due More than 211 days	--	--	--	6 663	**6 663**
Total	--	**100 213**	**1 081 241**	**3 432 026**	**4 613 480**

Corporate

	Debit cnrrent accounts	Direct Loans	Syndicated loans	Other loans	Total
Past due up to 30 days	--	15 073 279	4 849 673	--	**19 922 952**
Past due 30- 60 days	58 446	--	374 276	--	**432 722**
Past due 60-90 days	--	267 154	11 229 830	--	**11 496 984**
Past due 90-120 days	136 844	845 280	--	--	**982 124**
Past due 120-150 days	1 060 248	--	--	--	**1 060 248**
Past due 150-180 days	2 585 577	--	--	--	**2 585 577**
Past due 180-211 days	--	5 181 245	--	--	**5 181 245**
Past due More than 211 days	3 592 051	2 158 882	1 794 956	--	**7 545 889**
Total	**7 433 166**	**23 525 840**	**18 248 735**	--	**49 207 741**

Loans and credit facilities individually impaired

- Balance of loans and credit facilities subject to individual impairment before taking into consideration cash flow from guarantees amounted to US Dollar 11 407 911 at 31 December 2017 against US Dollar 7 433 235 at 31 December 2016.
- Below is a breakdown in total value of the loans and credit facilities subject to individual impairment :

31/12/2017
(US Dollar)

	Individual				Corporate				
	Debit current accounts	Credit cards	Personal loans	Real estate loaus	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
Individually impaired loans and credit facilities	24 293	1 067 252	1 703 605	268	467 208	2 990 707	986 541	4 168 037	11 407 911

31/12/2016
(US Dollar)

	Individual				Corporate				
	Debit current accounts	Credit cards	Personal loans	Real estate loans	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total Loans and facilities to customers
Individually impaired loans and credit facilities	632 973	654 820	2 313 023	--	221 746	8 915	1 462 535	2 139 223	7 433 235

a-7 Debt instruments and treasury bills

The table below presents an analysis of debt securities and other governmental securities by rating agency designation at the end of the year, based on Standard & Poor's ratings or their equivalent:

	Treasury bills US Dollar	Investment securities US Dollar	Total US Dollar
AA- to AA+	--	2 220 169	**2 220 169**
A- to A+	--	3 330 464	**3 330 464**
Lower than A-	574 020 818	1 550 266 316	**2 124 287 134**
Total	**574 020 818**	**1 555 816 949**	**2 129 837 767**

a-8 **Concentration of risks of financial assets with credit risk exposure**

- **Geographical sectors**

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by geographical sector as of 31 December 2017. When this table was prepared, the risk was distributed on the geographical sectors according to the areas related to the bank's clients.

(US Dollar)

	Greater Cairo	Alex, Delta & Sinai	Upper Egypt	Others	Total
Treasury bills	574 020 818	--	--	--	**574 020 818**
Loans and facilities to banks	--	--	--	50 710 500	**50 710 500**
Loans and facilities to customers:					
Individuals:					
-Debit current accounts	80 845 297	16 466 483	330 702	369 387	**98 011 869**
-Credit cards	4 575 901	1 291 705	86 586	42 861	**5 997 053**
-Personal loans	26 454 914	12 367 586	2 636 462	49 975	**41 508 937**
-Real estate loans	12 035 221	5 993 228	272 275	--	**18 300 724**
Corporate:					
-Debit current accounts	298 749 655	93 522 929	5 147 714	--	**397 420 298**
-Direct loans	205 705 343	21 557 433	1 235 429	--	**228 498 205**
-Syndicated loans	751 112 317	54 362 508	--	--	**805 474 825**
-Other loans	5 036 076	504 085	--	--	**5 540 161**
-Financial investments					
-Debt instruments	1 476 289 877	--	--	79 527 072	**1 555 816 949**
Total in 31/12/2017	**3 434 825 419**	**206 065 957**	**9 709 168**	**130 699 795**	**3 781 300 339**
Total in 31/12/2016	**3 269 033 943**	**216 593 351**	**8 231 986**	**95 293 609**	**3 589 152 889**

- **Business sectors**

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by the business sectors of our business of the bank's clients:

(US Dollar)

	Financial institutions	Manufacturing	Real estate	Commercial	Governmental	Other industries	Individuals	Total
Treasury bills	--	--	--	--	574 020 818	--	--	**574 020 818**
Loans and facilities to banks	50 710 500	--	--	--	--	--	--	**50 710 500**
Loans and credit facilities to customers:								
Individuals:								
-Debit current accounts	--	--	--	--	--	--	98 011 869	**98 011 869**
-Credit cards	--	--	--	--	--	--	5 997 053	**5 997 053**
-Personal loans	--	--	--	--	--	--	41 508 937	**41 508 937**
-Real estate loans	--	--	--	--	--	--	18 300 724	**18 300 724**
Corporate:								
-Debit current accounts	24 347 042	151 745 932	2 160 900	91 491 527	--	127 674 897	--	**397 420 298**
-Direct loans	83 154 837	40 976 972	15 352 204	14 969 866	--	74 044 326	--	**228 498 205**
-Syndicated loans	--	116 895 540	5 090 944	34 907 414	--	648 580 927	--	**805 474 825**
-Other loans	--	530 945	1 372 124	2 328 040	--	1 309 052	--	**5 540 161**
-Financial investments								
-Debt instrument	5 550 633	--	--	--	1 550 266 316	--	--	**1 555 816 949**
Total in 31/12/2017	**163 763 012**	**310 149 389**	**23 976 172**	**143 696 847**	**2 124 287 134**	**851 609 202**	**163 818 583**	**3 781 300 339**
Total in 31/12/2016	**120 027 101**	**311 304 795**	**29 883 553**	**115 317 210**	**2 267 570 351**	**518 562 703**	**226 487 176**	**3 589 152 889**

b. Market risk

The bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank in the risk management department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts directly as principal with clients or with the market, Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

b-1 Foreign exchange volatility risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk at end of the year. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

(Equivalent to US Dollar)

	EGP	USD	GBP	Euro	JPY	CHF	SAR	Other	Total
Balance at 31-12-2017									
Financial Assets									
Cash and due from Central Bank of Egypt	213 068 594	25 100 999	412 485	9 709 728	--	33 491	306 786	70 887	**248 702 970**
Due from banks	202 514 397	327 877 024	8 782 023	15 593 493	438 749	405 997	372 578	95 782	**556 080 043**
Treasury bills	50 714 783	445 032 372	--	78 273 663	--	--	--	--	**574 020 818**
Loans and credit Facilities for banks	--	49 031 608	--	--	--	--	--	--	**49 031 608**
Loans and credit Facilities for customers	980 346 137	580 867 294	3	8 124 629	--	--	382	--	**1 569 338 445**
Financial Investments:									
-Available for sale investments	11 111 869	36 037 628	--	--	--	--	--	--	**47 149 497**
-Held to maturity investments	1 472 022 498	44 117 755	--	--	--	--	--	--	**1 516 140 253**
-Other assets	75 889 532	4 530 613	9 814	237 459	--	--	--	--	**80 667 418**
Total financial Assets	**3 005 667 810**	**1 512 595 293**	**9 204 325**	**111 938 972**	**438 749**	**439 488**	**679 746**	**166 669**	**4 641 131 052**
Financial liabilities									
Due to banks	188 866 362	70 717 816	179 329	25 937 484	287	3 901	378	--	**285 705 557**
Customers' deposits	2 726 879 494	921 318 652	8 986 756	83 598 044	436 092	420 499	1 103 578	61 383	**3 742 804 498**
Other loans	18 118 981	220 000 000	--	--	--	--	--	--	**238 118 981**
Other liabilities	77 178 297	11 816 240	15 980	328 793	--	8	9 963	--	**89 349 281**
Total financial Liabilities	**3 011 043 134**	**1 223 852 708**	**9 182 065**	**109 864 321**	**436 379**	**424 408**	**1 113 919**	**61 383**	**4 355 978 317**
Net Financial Position at 31-12-2017	**(5 375 324)**	**288 742 585**	**22 260**	**2 074 651**	**2 370**	**15 080**	**(434 173)**	**105 286**	**285 152 735**
Balance at 31-12-2016									
Total financial assets	2 600 532 023	1 453 323 662	6 595 769	100 284 802	798 901	740 848	2 948 580	115 822	**4 165 340 407**
Total financial liabilities	2 586 422 661	1 200 930 943	7 514 961	101 108 869	809 340	754 917	1 400 706	59 425	**3 899 001 822**
Net Financial Position at 31-12-2016	**14 109 362**	**252 392 719**	**(919 192)**	**(824 067)**	**(10 439)**	**(14 069)**	**1 547 874**	**56 397**	**266 338 585**

b-2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Assets & Liabilities Management Dept. The table below summarizes the Bank's exposure to interest rate risk. It included the Bank's financial instruments at carrying amounts, categorized by the earlier of re-pricing or contractual maturity date.

	Till One Month	More Than One Month Till Three Months	More Than Three Months Till One Year	More Than One Year Till Five Years	More Than Five Years	Without Interest	Total
Balance at 31-12-2017							
Financial Assets							
Cash and due from Central Bank of Egypt	--	--	--	--	--	248 702 970	**248 702 970**
Due from banks	99 808 411	351 974 250	100 000 000	--	--	4 297 382	**556 080 043**
Treasury bills	338 453	154 173 519	419 508 846	--	--	--	**574 020 818**
Loans and credit Facilities for banks	--	--	28 172 500	20 859 108	--	--	**49 031 608**
Loans and credit Facilities for customers	83 157 320	1 235 275 933	126 588 671	80 388 408	43 928 113	--	**1 569 338 445**
Financial Investments:							
-Available for sale investments	--	--	729 054	4 821 579	35 409 316	6 189 548	**47 149 497**
-Held to maturity investments	--	5 544 280	79 985 601	1 121 525 364	307 801 755	1 283 253	**1 516 140 253**
-Other assets	--	--	--	--	--	80 667 418	**80 667 418**
Total financial Assets	**183 304 184**	**1 746 967 982**	**754 984 672**	**1 227 594 459**	**387 139 184**	**341 140 571**	**4 641 131 052**
Financial liabilities							
Due to banks	217 152 750	55 000 000	--	--	--	13 552 807	**285 705 557**
Customers' deposits	688 768 116	532 297 764	1 234 024 273	968 999 237	8 821 985	309 893 123	**3 742 804 498**
Other loans	--	50 000 000	140 000 000	48 118 981	--	--	**238 118 981**
Other liabilities	--	--	--	--	--	89 349 281	**89 349 281**
Total financial Liabilities	**905 920 866**	**637 297 764**	**1 374 024 273**	**1 017 118 218**	**8 821 985**	**412 795 211**	**4 355 978 317**
Total interest re-pricing gap at 31-12-2017	**(722 616 682)**	**1 109 670 218**	**(619 039 601)**	**210 476 241**	**378 317 199**	**(71 654 640)**	**285 152 735**
Balance at 31-12-2016							
Total financial assets	140 134 054	1 216 569 774	810 449 776	1 007 012 662	723 383 767	267 790 374	**4 165 340 407**
Total financial liabilities	784 922 070	328 736 883	770 067 434	1 553 954 166	58 601 039	402 720 230	**3 899 001 822**
Total interest re-pricing gap at 31-12-2016	**(644 788 016)**	**887 832 891**	**40 382 342**	**(546 941 504)**	**664 782 728**	**(134 929 856)**	**266 338 585**

c. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

- **Liquidity risk management process**

  The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Assets & Liabilities Management Dept, includes:

  - Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers. The Bank maintains an active presence in global money markets to enable this to happen.
  - Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
  - Monitoring balance sheet liquidity ratios against internal and requirements of central bank of Egypt.
  - Managing the concentration and profile of debt maturities.
  - Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Assets & Liabilities Management Dept. also monitors unmatched medium-term assets, the level and type of un drawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

- **Funding approach**

  Sources of liquidity are regularly reviewed by a separate jointly team in Bank Assets & liabilities Management, liabilities Investments to maintain a wide diversification by currency, provider, product and term.

d. Fair value of financial assets and liabilities

- **Due from banks**

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

- **Loans and credit facilities to customers**

Loans and credit facilities are net of provisions for impairment. The estimated fair value of loans and credit facilities represents the discounted amount of estimated future cash flow expected to be received. Expected cash flow are discounted at current market rates to determine fair value.

- **Financial investment**

Financial investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

- **Due to other banks and customers**

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

e. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- Compliance with capital legal requirements in Egypt.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth.
- Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the bank's management through guidelines developed by the Basel Committee; Data are submitted and filed at CBE on a quarterly basis.

The CBE requires each bank to:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a ratio between capital elements, and assets and contingent liability elements weighted by risk weights at 10% or more.

Capital management

The objective of the bank for capital management purposes, the bank's capital includes total equity as reported in the statement of financial position plus some other elements that are managed as capital. As following

-Compliance with the legally imposed capital requirement in Egypt.

- Protecting the bank's ability to continue as going concern and enabling it to generate yield for shareholders and other parties dealing with the bank.
- Maintain a strong capital base to enhance growth of the bank's operations.
- Capital adequacy and users are reviewed by the bank's management in accordance with the requirement of the regulatory authority (central bank of Egypt) by bank management; by form relying on basil committee regulations for banking control data are submitted and filed with CBE on quarterly basis.

The CBE requires the bank to comply with the following:

- Maintaining EGP 500 million as a minimum requirement for the issue and paid in capital.
- Maintaining a minimum level of capital ratio of 10% calculated as the ratio between total value of the capital element, and the risk –weighted average of the bank's assets and contingent liabilities.

The numerator in the capital adequacy ratio comprises the following 2 tiers

Tier 1: basic capital, which comprises paid in capital (net of treasury stock), plus retained earnings and reserves resulting from profit appropriations (other than general reserve for banking risk & special reserve), less any goodwill previously recognized and any carried forward losses.

Tier 2: subordinate capital which comprises an amount equal to the loan general provision calculated in accordance with the credit rating bases issued by the CBE provided it does not exceed 1.25% from the total risk –weighted average of assets and contingent liabilities ,plus: the carrying amount of subordinated loans /deposit maturing over more than 5 years (provided that such carrying amount shall be reduced 20% of its value in each of last five years of their maturity), plus 45% of the increase in fair value above the carrying amount of available for sale investment, held to maturity investment ,and investments in subsidiaries and associated and 45% from special reserve.

In calculating the numerator of the capital adequacy ratio, total value of tier 2 should not exceed total value of tier 1.Also, total value of subordinated loans (deposits) should not exceed 50% of tier 1.

Assets are risk weighted at a range of 0 to 150% risk classification of these assets based on the type of the debtor to reflect the associated credit risk and after consideration of cash collaterals the same treatment is applied for the off –balance sheet items which shall be adjusted to reflect the contingent nature of and potential loss on these amounts

Capital adequacy standard has been prepared base on Basel II requirements, and central Bank of Egypt Board of directors has approved in its meeting held on December 18, 2012, which has been issued on December 24, 2012

The table below summarizes the composition of tier 1, tier 2 and capital adequacy ratio based on Basel II

	31/12/2017 In thousand EGP	31/12/2016 In thousand EGP
Tier 1 after exclusions		
Basic continues capital:		
Capital issued and paid up*	2 659 155	2 739 976
Reserves *	1 552 861	1 474 687
Retained earnings *	1 066 944	505 480
Total deductions from Basic capital	(360 320)	(553 222)
Basic continues capital after exclusion	**4 918 640**	**4 166 921**
Basic extra capital:		
Interim earnings*	645 587	--
Basic extra capital	645 587	--
Total Tier 1 capital after exclusions	**5 564 227**	**4 166 921**
Tier 2 after exclusions		
45% from the Special Reserve *	1 099	1 133
Subordinated loans	1 418 217	2 009 315
Provision for impairment losses for regular loans , facilities and contingent liabilities	195 507	172 882
Total Tier 2 capital after exclusions	**1 614 823**	**2 183 330**
Total capital after exclusions	**7 179 050**	**6 350 251**
Risk weighted assets and contingent liabilities:		
Credit risk	37 835 087	34 708 876
Market risk	864 323	--
Operational risk	3 765 863	2 919 679
Total risk weighted assets and contingent liabilities	**42 465 273**	**37 628 555**
Capital adequacy Ratio	**16.91%**	**16.88%**

* Value of the Egyptian pound on the basis of the closing rate of the dollar at the balance sheet date.

Leverage Ratio:

Central Bank of Egypt Board of Directors approved in its meeting held on July 7, 2015 the special supervisory instructions related to leverage ratio while maintaining a minimum level of leverage ratio of 3% to be reported in quarterly basis as follow:

- Guidance ratio started from reporting period September 2015 till December 2017.
- Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments.

Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (after Exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio Elements:

The numerator elements

The numerator consists of tier 1 for capital that are used in capital adequacy ratio (after Exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE)

The dominator elements

The dominator consists of all bank assets (on balance sheet and off-balance sheet) according to financial statements called "Bank exposures" which include total the following:

1- On balance sheet exposure items after deducting some of Tier I Exclusions for capital base.
2- Derivatives contracts exposures.
3- Financing Financial papers operations exposures.
4- Off-balance sheet items (weighted by credit conversion factor).

The tables below summarizes the leverage financial ratio:

	31/12/2017 In thousand EGP	31/12/2016 In thousand EGP
The Tier 1 for capital (after Exclusions)	5 564 227	4 166 921
Cash and due from Central Bank of Egypt	9 678 603	4 959 422
Due from banks (current Accounts and Deposits)	4 588 348	4 291 224
Total Loans and credit facilities to banks	898 980	--
Treasury bills	10 176 068	11 112 998
Financial Investments Available for sale	826 259	3 356 430
Investments Held to Maturity	26 877 678	27 236 441
Investments in associated companies	3 245	3 299
Total Loans and credit facilities to customers	28 377 651	23 988 873
provision impairment losses for loans irregular and credit facilities	(85 653)	(64 350)
Reserved interest	(21 196)	(15 864)
Fixed Assets (Net)	803 109	694 766
Other Assets	1 417 522	1 541 406
The value of what is being deducted from the exposures (some Exclusions of the first tier of the capital)	(46 087)	(33 517)
Total exposures in balance sheet	**83 494 527**	**77 071 128**
Letters of credit – Import	140 334	87 971
Letters of credit – Export	14 494	1 432
Letters of guarantee	955 943	592 362
Letters of guarantee, As a request to foreign banks or his provide	53 603	47 478
Bills acceptable	376 135	278 325
Total of contingent liabilities	**1 540 509**	**1 007 568**
Capital commitments	92 961	166 738
Commitments for operational leasing contracts	12 367	27 780
Commitments for Loans and credit facilities to banks /customers (unused part) With an original maturity :		
Irrevocable year or less	81 941	69 219
Irrevocable unconditional at any time by the bank without prior notice, or that include the texts of self-cancellation due to deterioration of the creditworthiness of the borrower	1 299 411	806 693
Total Commitments	**1 486 680**	**1 070 430**
Total exposures out balance sheet	**3 027 189**	**2 077 998**
Total exposures in/out balance sheet	**86 521 716**	**79 149 126**
the leverage financial ratio	6 .43%	5.26 %

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available info.

A) Impairment losses on loans and credit facilities

The Bank reviews its loan portfolios to assess impairment minimum on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow from a portfolio of loans before the decrease can be with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

B) Impairment of available for-sale equity instruments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

C) Held-to-maturity investments

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. There for the bank tests whether there is a genuine intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example an insignificant amount close to maturity it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost in addition to suspending the classification of any of the investments in that item.

If the use of the classification of the investments is suspended as held to maturity, it will decrease the book value of US Dollars 39 298 624 to fair value by recording an entry in the fair value reserve within the equity.

5. Sectorial Analysis

A – Sectorial Analysis for activities

Sectorial activity includes operations and assets used in providing banking services and managing risks surrounding it and the income associated with this activity that may differ from the rest of the other activities.

The sectorial analysis of operations includes, according to the received banking operations, the following:
The large, medium and small enterprises.

Activities include current accounts, deposits, and debit current accounts and loans and credit facilities and financial derivatives.

Investments

Activities include company mergers and purchase of investments and financing of corporate restructuring and financial instruments.

Individuals

Activities include current and savings accounts, deposits, credit cards, personal loans and mortgages.

Other Activities

Include other banking services, such as money management.

Transactions between sectorial activities are held in accordance with the standard cycle of activity of the bank. The assets and liabilities include operating assets and liabilities as displayed in the financial position of the bank.

Assets and Liabilities according to the Sectorial Activity

(US Dollar)

	31/12/2017			
	Corporate	Individual	Other	Total
Assets				
Cash and due from Central Bank of Egypt	--	--	248 702 970	**248 702 970**
Due from banks	258 823 644	--	297 256 399	**556 080 043**
Treasury bills	--	--	574 020 818	**574 020 818**
Net loans and facilities for banks	49 031 608	--	--	**49 031 608**
Net loans and facilities for customers	1 421 000 561	148 337 884	--	**1 569 338 445**
Financial investments available for sale	11 740 180	--	35 409 317	**47 149 497**
Financial investments Held to maturity	1 283 253	--	1 514 857 000	**1 516 140 253**
Investments at associates companies	183 031	--	--	**183 031**
Unclassified Assets				
Intangible assets	--	--	23 912	**23 912**
Other assets	--	--	80 667 418	**80 667 418**
Net fixed assets	--	--	45 302 498	**45 302 498**
Total Assets	**1 742 062 277**	**148 337 884**	**2 796 240 332**	**4 686 640 493**
Liabilities				
Due to banks	285 705 557	--	--	**285 705 557**
Customers' deposits	2 266 288 808	1 476 515 690	--	**3 742 804 498**
Other loans	238 118 981	--	--	**238 118 981**
Other liabilities	--	--	89 349 281	**89 349 281**
Other provisions	--	--	2 918 606	**2 918 606**
Deferred tax liabilities	--	--	593 727	**593 727**
Total Liabilities	**2 790 113 346**	**1 476 515 690**	**92 861 614**	**4 359 490 650**
Total Equity	--	--	--	**327 149 843**

(US Dollar)

	31/12/2016			
	Corporate	Individual	Other	Total
Assets				
Cash and due from Central Bank of Egypt	--	--	162 648 781	**162 648 781**
Due from banks	234 923 070	--	108 854 755	**343 777 825**
Treasury bills	--	--	608 381 080	**608 381 080**
Net loans and facilities for customers	1 073 485 926	216 075 072	--	**1 289 560 998**
Financial investments available for sale	14 695 633	--	169 909 007	**184 604 640**
Financial investments held to maturity	1 778 716	--	1 489 280 264	**1 491 058 980**
Investments at associates companies	180 586	--	--	**180 586**
Unclassified Assets				
Intangible assets	--	--	25 602	**25 602**
Other assets	--	--	85 308 103	**85 308 103**
Net fixed assets	--	--	38 034 943	**38 034 943**
Total Assets	**1 325 063 931**	**216 075 072**	**2 662 442 535**	**4 203 581 538**
Liabilities				
Due to banks	300 337 161	--	--	**300 337 161**
Customers' deposits	1 863 593 876	1 476 971 665	--	**3 340 565 541**
Other loans	161 322 759	--	--	**161 322 759**
Other liabilities	--	--	96 776 361	**96 776 361**
Other provisions	--	--	11 946 308	**11 946 308**
Deferred tax liabilities	--	--	438 117	**438 117**
Total Liabilities	**2 325 253 796**	**1 476 971 665**	**109 160 786**	**3 911 386 247**
Total Equity	--	--	--	**292 195 291**

6. Net Interest Income

	31/12/2017 US Dollar	31/12/2016 US Dollar
Loans Interest and similar income		
Loans and facilities to banks	916 760	--
Loans and facilities to clients	202 615 837	165 396 991
Treasury Bonds	263 095 061	452 252 521
Deposits and current accounts	16 063 084	13 526 449
	482 690 742	**631 175 961**
Cost of deposits and similar expenses		
Deposits and current accounts:		
-Banks	(39 514 357)	(11 650 149)
-Clients	(330 416 035)	(450 531 008)
Other loans	(7 017 459)	(3 900 970)
	(376 947 851)	**(466 082 127)**
Net	**105 742 891**	**165 093 834**

7. Net Fees and Commissions Income

	31/12/2017 US Dollar	31/12/2016 US Dollar
Fees & Commissions Income :		
Fees & Commissions Related to Credit	29 391 997	22 402 063
Custody Fees	145 751	238 020
Other Fees	3 635 907	5 658 215
	33 173 655	**28 298 298**
Fees & Commissions expenses		
Other Fees Paid	(1 668 104)	(777 017)
	(1 668 104)	**(777 017)**
Net	**31 505 551**	**27 521 281**

8. Dividends income

	31/12/2017 US Dollar	31/12/2016 US Dollar
Available for sale investments	859 670	1 674 389
Investments fund held to maturity	--	17 889
	859 670	**1 692 278**

9. Net Trading Income

	31/12/2017 US Dollar	31/12/2016 US Dollar
Foreign exchange transactions:		
Foreign exchange gains	4 787 396	5 102 991
Net	**4 787 396**	**5 102 991**

10. Administrative expenses

	31/12/2017 US Dollar	31/12/2016 US Dollar
Staff Costs		
Wages & salaries	(33 298 633)	(33 356 460)
Social insurance	(603 788)	(923 789)
	(33 902 421)	**(34 280 249)**
Depreciation and amortization	(6 133 292)	(5 138 713)
Other administrative expenses	(21 559 023)	(28 631 220)
	(61 594 736)	**(68 050 182)**

-The average monthly salary earned by the top twenty employees totaled is US Dollars 269 587 for the financial year ended December 31, 2017 against US Dollars 284 401 for the financial year ended December 31, 2016.

11. Other operating revenue (expenses)

	31/12/2017 US Dollar	31/12/2016 US Dollar
Profits from the sale of Fixed Assets	7 858	12 353
Operating lease	(195 482)	(320 418)
Capital lease	(304 976)	(430 943)
(Expenses) other provisions (Note 29)	9 140 519	(51 123)
Other	30 675	(17 777)
	8 678 594	**(807 908)**

12. Impairment (expenses) recovery from credit losses

	31/12/2017 US Dollar	31/12/2016 US Dollar
Loans and facilities for clients (Note 19)	(1 887 732)	1 893 768
Financial investments held to maturity (Note 20)	164 356	--
	(1 723 376)	**1 893 768**

13. Income tax (expenses)

	31/12/2017 US Dollar	31/12/2016 US Dollar
Current tax*	(46 719 535)	(84 403 714)
Deferred tax (Note 30)	(155 610)	(86 177)
	(46 875 145)	**(84 489 891)**

* The value of the tax due on the return of treasury bonds, bills and dividends paid for the financial year ended on that date.

14. Earnings per share

Earnings Per share is calculated by dividing the net profit attributable to the shareholders of the Bank excluded the employee's shares and the reward of the Board of Directors from the net profit by the weighted average of ordinary shares issued duriug the year.

	31/12/2017 US Dollar	31/12/2016 US Dollar
Net Profit Available for Distribution on shareholders(1)*	28 916 814	36 334 896
Weighted average of ordinary issued shares (2)	15 000 000	15 000 000
Basic Earnings Per Share (US Dollar) (1/2)	**1.93**	**2.42**

* Based on the proposed dividend distribution figures . The amount shall be approved by the Ordinary General Assembly of the Shareholders of the Bank

15. Cash and due from Central Bank of Egypt

	31/12/2017 US Dollar	31/12/2016 US Dollar
Cash	43 536 422	21 692 029
Balances with Central Bank of Egypt (mandatory reserve)	205 166 548	140 956 752
	248 702 970	**162 648 781**
Balances without interest	248 702 970	162 648 781
	248 702 970	**162 648 781**

16. Due from Banks

	31/12/2017 US Dollar	31/12/2016 US Dollar
Current Accounts	21 206 722	23 093 750
Deposits	534 873 321	320 684 075
	556 080 043	**343 777 825**
Central Banks (Except Mandatory Reserve)	297 256 399	108 854 755
Local Banks	211 282 143	196 989 521
Foreign Banks	47 541 501	37 933 549
	556 080 043	**343 777 825**
Balances without interest	4 297 382	11 670 840
Balances with variable interest	43 139 478	11 422 910
Balances with fixed interest	508 643 183	320 684 075
	556 080 043	**343 777 825**
Current Balances	556 080 043	343 777 825
	556 080 043	**343 777 825**

17. Treasury Bills

	31/12/2017 US Dollar	31/12/2016 US Dollar
Treasury bills	**574 020 818**	**608 381 080**
The Treasury bills are represented in the following:		
266 Days maturity	12 534 058	--
273 Days maturity	1 523 040	74 849 000
357 Days maturity	668 445	54 947 557
362 Days maturity	--	109 490
364 Days maturity	574 145 937	499 431 440
	588 871 480	**629 337 487**
Unearned Interest	(14 850 662)	(20 956 407)
	574 020 818	**608 381 080**

As part of the initiative of the Central Bank of Egypt to activate the mortgage sector for the low and middle - income, treasury bonds with a nominal value of 184 700 000 Egyptian pounds (equivalent to 10 418 724 US dollars) were frozen at the Central Bank of Egypt on 31 December 2017.

18. Loans and credit Facilities for banks

	31/12/2017 US Dollar	31/12/2016 US Dollar
Discounted securities papers	50 710 500	--
Less:		
Unearned discount	(1 678 892)	--
	49 031 608	--
Current Balances	28 172 500	--
Non – current Balances	20 859 108	--
	49 031 608	--

19. Loans and credit Facilities for customers

	31/12/2017 US Dollar	31/12/2016 US Dollar
Individuals:		
Debit current accounts	98 011 869	164 525 024
Credit cards	5 997 053	4 562 071
Personal loans	41 508 937	47 991 385
Real estate loans	18 300 724	9 408 696
Total (1)	**163 818 583**	**226 487 176**
Corporate:		
Debit current accounts	397 420 298	364 852 551
Direct loans	228 498 205	186 139 053
Syndicated loans	805 474 825	532 257 919
Other loans	5 540 161	3 534 140
Total (2)	**1 436 933 489**	**1 086 783 663**
Loans and credit facilities to customers (1+2)	**1 600 752 072**	**1 313 270 839**
Less:		
Provision for impairment losses	(14 177 110)	(11 945 689)
Reserved interest	(1 195 668)	(868 450)
Advanced interest	(16 040 849)	(10 895 702)
Net loans and credit facilities to customers distributed to :	**1 569 338 445**	**1 289 560 998**
Current Balances	527 001 051	536 714 169
Non-current Balances	1 042 337 394	752 846 829
	1 569 338 445	**1 289 560 998**

Provision for impairment losses
Analysis of the provision for impairment losses for Customers

31/12/2017

Individual	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total US Dollar
Balance At Beginning Of The year	**16 903**	**152 131**	**1 364 234**	**55 709**	**1 588 977**
Impairment expenses (recovery)	1 964	88 659	(215 301)	23 356	**(101 322)**
Write off during the year	--	(3 331)	(20 036)	--	**(23 367)**
Recovery during the year	--	3 801	--	19 493	**23 294**
Translation differences	490	4 215	63 904	1 831	**70 440**
Balance At The End Of The year	**19 357**	**245 475**	**1 192 801**	**100 389**	**1 558 022**

Corporate	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total US Dollar
Balance At Beginning Of The year	**3 262 249**	**1 834 101**	**3 201 634**	**2 058 728**	**10 356 712**
Impairment expenses (recovery)	117 226	1 372 767	301 966	197 095	**1 989 054**
Write off during the year	--	--	--	(3 101)	**(3 101)**
Recovery during the year	--	--	--	42 211	**42 211**
Translation differences	90 296	35 219	46 773	61 924	**234 212**
Balance At The End Of The year	**3 469 771**	**3 242 087**	**3 550 373**	**2 356 857**	**12 619 088**

31/12/2016

Individual	Debit current accounts	Credit cards	Personal loans	Real estate loans	Total US Dollar
Balance At Beginning Of The year	**61 504**	**295 235**	**3 878 091**	**34 098**	**4 268 928**
Impairment expenses (recovery)	(19 204)	37 265	(429 292)	72 178	**(339 053)**
Write off during the year	--	(1 426)	(63 034)	--	**(64 460)**
Recovery during the year	--	17 624	--	--	**17 624**
Translation differences	(25 397)	(196 567)	(2 021 531)	(50 567)	**(2 294 062)**
Balance At The End Of The year	**16 903**	**152 131**	**1 364 234**	**55 709**	**1 588 977**

Corporate	Debit current accounts	Direct loans	Syndicated loans	Other loans	Total US Dollar
Balance At Beginning Of The year	**4 097 736**	**3 098 379**	**5 758 008**	**10 346 478**	**23 300 601**
Impairment expenses (recovery)	1 430 185	304 175	(1 001 488)	(2 287 587)	**(1 554 715)**
Write off during the year	--	--	--	(4 184 119)	**(4 184 119)**
Recovery during the year	--	--	--	1 210 907	**1 210 907**
Translation differences	(2 265 672)	(1 568 453)	(1 554 886)	(3 026 951)	**(8 415 962)**
Balance At The End Of The year	**3 262 249**	**1 834 101**	**3 201 634**	**2 058 728**	**10 356 712**

20. Financial Investments

	31/12/2017 US Dollar	31/12/2016 US Dollar
Available for sale financial investments		
Debt instruments-fair value:		
-listed	40 959 949	178 220 706
Equity instruments-cost:		
-listed	2 293 361	2 225 713
-unlisted	3 896 187	4 158 221
Total available for sale financial investments (1)	**47 149 497**	**184 604 640**
Held to maturity financial investment		
Debt instruments-amortized cost:		
-listed	1 514 857 000	1 489 280 264
Equity instruments-cost:		
-unlisted	1 283 253	1 939 347
Less :impairment provision	--	(160 631)
Total held to maturity financial investment (2)	**1 516 140 253**	**1 491 058 980**
Total financial investment(1+2)	**1 563 289 750**	**1 675 663 620**
Current balances	132 679 378	216 597 642
Non-current balances	1 430 610 372	1 459 065 978
	1 563 289 750	**1 675 663 620**
Fixed Interest Debt Instruments	1 555 816 949	1 667 392 340
Variable Interest Debt Instruments	--	108 630
	1 555 816 949	**1 667 500 970**

		31/12/2017	
	Available for sale financial investments US Dollar	Held To Maturity Financial Investment US Dollar	Total US Dollar
Opening Balance	**184 604 640**	**1 491 058 980**	**1 675 663 620**
Addition	17 051 473	8 567 615	25 619 088
Deduction (Selling - Redemption)	(158 497 509)	(37 029 835)	(195 527 344)
Translation differences	1 649 834	47 549 077	49 198 911
Profit from fair value difference (Note 32/c)	2 486 109	--	2 486 109
Discount	240 367	6 913 178	7 153 545
Premium	(27 122)	(1 083 118)	(1 110 240)
Impairment expenses (recovery)	(358 295)	164 356	(193 939)
Ending balance	**47 149 497**	**1 516 140 253**	**1 563 289 750**

	Available for sale financial investments US Dollar	31/12/2016 Held To Maturity Financial Investment US Dollar	Total US Dollar
Opening Balance	**3 056 456 124**	**39 501 833**	**3 095 957 957**
Addition	967 472 500	--	967 472 500
Deduction (Selling - Redemption)	(303 376 943)	--	(303 376 943)
Adjustment/ Reclassification	(3 136 304 583)*	3 136 304 583	--
Translation differences	(358 516 113)	(1 686 674 341)	(2 045 190 454)
Profit from fair value difference (Note 32/c)	(42 796 431)	--	(42 796 431)
Discount	3 096 462	2 283 376	5 379 838
Premium	(1 426 376)	(356 471)	(1 782 847)
Ending balance	**184 604 640**	**1 491 058 980**	**1 675 663 620**

* On September 28th, 2016, the Egyptian Treasury bonds were reclassified in the Egyptian Pound at their fair value at the date of reclassification the available investments for sale to the financial investments held to maturity date.

* In accordance with the decision of the Board of Directors held on 30th October 2016, the fair value reserve for financial investments available for sale was recognized in US Dollars instead of the Egyptian Pound. As the property rights in the US dollar currency as well as the currency of the presentation of the financial statements in US dollars and the non-monetary assets and liabilities are not to be restated as they are measured at historical cost, including property rights and fixed assets,in accordance with the Egyptian Accounting Standards and the rules for preparing and publishing financial statements issued by the Central Bank of Egypt in 16 December 2008.

- **(Loss) profit from Financial Investment**

	31/12/2017 US Dollar	31/12/2016 US Dollar
Profit From Selling Available For Sale Financial Instruments	3 155 741	2 912 125
Impairment expenses (recovery) from available for sale equity investment	(358 295)	--
Profit From Selling equity investment instruments held to maturity*	481 339	--
Amortization of Fair value reserve for bonds reclassified from available for sale to held to maturity date (Note 32/c)	(8 239 629)	(2 368 337)
	(4 960 844)	**543 788**

*According to Law No.95 of 1992 and its executive regulations for the investments funds of banks and insurance companies (Article 172), the bank maintain a minimum of Five million Egyptian pound for the operation of each investment fund in the held to maturity financial investments.

- **Adjustments for impairment losses provision of held to maturity financial investments**

	31/12/2017 US Dollar	31/12/2016 US Dollar
Opening Balance	160 631	379 576
Impairment (expenses) recovery from credit losses (Note12)	(164 356)	--
Translation differences	3 725	(218 945)
Ending balance	**--**	**160 631**

21. Investments in associates companies

The bank's shareholding percentage in associates companies are as follows:

31/12/2017

	Assets US Dollar	Liability (without shareholders equity) US Dollar	The company's revenues US Dollar	(loss) Profit US Dollar	Last financial statements date	Company country	Balance as of 1/1/2017 US Dollar	(Loss) from investments in Associates companies – equity method US Dollar	Dividends during the year US Dollar	Translation differences US Dollar	Balance as of 31/12/2016 US Dollar	Shareholding %
Cairo National Co. for Trading Securities	335 279	144 965	102 682	(6 383)	30 September 2017	Egypt	57 207	1 881	--	1 812	60 900	32
Cairo Factoring Company	5 525 365	5 220 035	940 467	19 599	31 December 2016	Egypt	123 379	(5 068)	--	3 820	122 131	40
							180 586	**(3 187)**	**--**	**5 632**	**183 031**	

31/12/2016

	Assets US Dollar	Liability (without shareholders equity) US Dollar	The company's revenues US Dollar	Profit (loss) US Dollar	Last financial statements date	Company country	Balance as of 1/1/2016 US Dollar	Income from investments in Associates companies – equity method US Dollar	Dividends during the year US Dollar	Translation differences US Dollar	Balance as of 31/12/2016 US Dollar	Shareholding %
Cairo National Co. for Trading Securities	268 802	90 029	70 810	(25 454)	30 September 2016	Egypt	154 086	(13 236)	--	(83 643)	57 207	32
Cairo Factoring Company	5 515 110	5 206 660	667 793	(13 787)	30 September 2016	Egypt	259 752	36 173	--	(172 546)	123 379	40
							413 838	**22 937**	**--**	**(256 189)**	**180 586**	

22. Intangible Assets

	31/12/2017 US Dollar	31/12/2016 US Dollar
- **Franchise**		
Net book value at the beginning of the year	25 602	66 153
Amortization	(1 690)	(3 310)
Translation Differences	--	(37 241)
Net book value at the ending of the year	**23 912**	**25 602**

23. Other Assets

	31/12/2017 US Dollar	31/12/2016 US Dollar
Accrued revenue	74 071 903	73 487 264
Prepaid expenses	619 959	1 068 223
Advance payments for purchasing fixed assets	4 966 494	10 133 724
Assets reverted to the bank in settlement of debts (net of related impairment)	100 521	97 556
Custody and insurance	63 501	22 677
Others	845 040	498 659
	80 667 418	**85 308 103**

24. Fixed Assets

	Land	Buildings	Computers & Core Systems	Vehicles	Fixtures & fittings	Equipment	Furniture	Total
	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Balance as of 1/1/2016								
Cost	468 309	20 463 129	17 058 446	408 470	10 645 561	3 197 658	865 925	**53 107 498**
Accumulated depreciation	--	(6 416 285)	(12 520 889)	(405 633)	(4 022 450)	(2 031 316)	(582 936)	**(25 979 509)**
Net book value As 1/1/2016	**468 309**	**14 046 844**	**4 537 557**	**2 837**	**6 623 111**	**1 166 342**	**282 989**	**27 127 989**
Additions	--	7 635 285	3 321 609	--	5 476 550	335 757	106 256	**16 875 457**
Translation Differences (Assets balances)	(59 491)	(342 547)	(585 263)	(51 889)	(1 509 894)	(332 971)	(125 719)	**(3 007 774)**
Translation Differences (Accumulated depreciation)	--	876 444	255 696	51 548	705 405	207 811	77 770	**2 174 674**
Depreciation cost	--	(1 085 382)	(1 303 477)	(905)	(2 260 320)	(392 239)	(93 080)	**(5 135 403)**
Net book value as of 31/12/2016	**408 818**	**21 130 644**	**6 226 122**	**1 591**	**9 034 852**	**984 700**	**248 216**	**38 034 943**
Cost	408 818	27 755 867	19 794 792	356 581	14 612 217	3 200 444	846 462	**66 975 181**
Accumulated depreciation	--	(6 625 223)	(13 568 670)	(354 990)	(5 577 365)	(2 215 744)	(598 246)	**(28 940 238)**
Net book value As 1/1/2017	**408 818**	**21 130 644**	**6 226 122**	**1 591**	**9 034 852**	**984 700**	**248 216**	**38 034 943**

Fixed assets: continued

	Land	Buildings	Computers & Core Systems	Vehicles	Fixtures & fittings	Equipments	Furniture	Total
	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Balance of the current financial year								
Net book value as of 1/1/2017	408 818	21 130 644	6 226 122	1 591	9 034 852	984 700	248 216	**38 034 943**
Additions	--	4 625 263	4 460 307	2 841	4 019 613	242 679	48 454	**13 399 157**
Depreciation cost	--	(1 373 069)	(1 657 145)	(725)	(2 723 586)	(290 718)	(86 359)	**(6 131 602)**
Net book value as of 31/12/2017	**408 818**	**24 382 838**	**9 029 284**	**3 707**	**10 330 879**	**936 661**	**210 311**	**45 302 498**
Balance as of 31/12/2017								
Cost	408 818	32 381 130	24 255 099	359 422	18 631 830	3 443 123	894 916	**80 374 338**
Accumulated depreciation	--	(7 998 292)	(15 225 815)	(355 715)	(8 300 951)	(2 506 462)	(684 605)	**(35 071 840)**
Net book value As 31/12/2017	**408 818**	**24 382 838**	**9 029 284**	**3 707**	**10 330 879**	**936 661**	**210 311**	**45 302 498**

25. Due to Banks

	31/12/2017 US Dollar	31/12/2016 US Dollar
Current Accounts	13 807 787	15 972 911
Deposits	271 897 770	284 364 250
	285 705 557	**300 337 161**
Local Banks	205 483 906	199 997 514
Foreign Banks	80 221 651	100 339 647
	285 705 557	**300 337 161**
Balances without interest	13 552 807	12 437 965
Balances with variable interest	163 495	3 335 896
Balances with fixed interest	271 989 255	284 563 300
	285 705 557	**300 337 161**
Current Balances	285 705 557	300 337 161
	285 705 557	**300 337 161**

26. Customers' Deposits

	31/12/2017 US Dollar	31/12/2016 US Dollar
Demand Deposits	409 122 380	235 588 503
Time Deposits and call accounts	1 814 301 213	1 487 421 065
Certificates of savings and Deposit	1 289 299 596	1 399 953 391
Saving Deposits	101 818 851	96 104 434
Other Deposits	128 262 458	121 498 148
	3 742 804 498	**3 340 565 541**
Corporate Deposits	2 266 288 808	1 863 593 876
Individuals Deposits	1 476 515 690	1 476 971 665
	3 742 804 498	**3 340 565 541**
Balances without interest	309 893 123	293 505 904
Balances with variable interest	1 860 687 082	1 538 461 225
Balances with fixed interest	1 572 224 293	1 508 598 412
	3 742 804 498	**3 340 565 541**
Current Balances	2 453 504 902	1 940 612 150
Non-Current Balances	1 289 299 596	1 399 953 391
	3 742 804 498	**3 340 565 541**

27. Other Loans

	31/12/2017 US Dollar	31/12/2016 US Dollar
Loan from Social Fund for Development		
Development project for Small and medium poultry entities (New/Standing)	--	572 085
Development Project for Small Entities (New/Standing)	8 587 888	5 280 056
Environment commitment loan – (principal bank /NBE)	77 963	142 890
Agricultural development loan – (principal bank /CIB)	2 477 258	4 421 535
Mortgage finance initiative for low-income (CBE)	3 502 198	906 193
Subordinated loan - Arab International Bank *	150 000 000	150 000 000
The Arab fund for economic and social development loan	30 000 000	--
Initiative for encouraging the finance of machinery, equipment and production lines for medium – sized industrial and agriculture companies (CBE)	3 473 674	--
China development bank loan	40 000 000	--
Total Other loans	**238 118 981**	**161 322 759**

* - The General Assembly approved in the ordinary general meeting held on February 19, 2013 to execute the Subordinated loan contract with the Arab International Bank (a major contributor to our bank) dated March 18, 2013 with the value of 50,000,000 USD to support the second tranche of base capital to our bank to raise the capital percentage rate adequacy according to Basel in order to maintain the prescribed percentage of the Central Bank of Egypt.

- The duration of this loan is five years starting from March 2013 ending in February 2018 and to be paid at the end of term by February 28, 2018.

- Calculated on the amount of the loan rate of return by ¼% (quarter percent) per annum over LIBOR 6 Months rate and be paid every six months.

* - The Board of Directors approved in its meeting held on September 27, 2015 to execute the Subordinated loan contract with the Arab International Bank (a major contributor to our bank) with the value of 50,000,000 USD and The General Assembly approved in the ordinary general meeting held on February 28, 2016 to support the second tranche of base capital to our bank to raise the capital percentage rate adequacy according to Basel in order to maintain the prescribed percentage of the Central Bank of Egypt.

- The loan term is five years, starting from November 4, 2015 and ending on November 3, 2020. The loan shall be fully paid at the end of the period as a lump sum payment by November 3, 2020. Our bank may repay this loan in equal annual installments of not more than 20%.

- Calculated on the amount of the loan rate of return by 2.5% (two and half percent) per annum over LIBOR 6 Months rate and be paid every six months.

* - The Board of Directors approved in its meeting held on September 25, 2016 to execute the Subordinated loan contract with the Arab International Bank (a major contributor to our bank) with the value of 50,000,000 USD and on February 26,2017 the general assembly approved the subordinated loan to support the second tranche of base capital to our bank to raise the capital percentage rate adequacy according to Basel in order to maintain the prescribed percentage of the Central Bank of Egypt.

- The loan term is five years, starting from November 2, 2016 and ending on November 1, 2021. The loan shall be fully paid at the end of the period as a lump sum payment by November 1, 2021. Our bank may repay this loan in equal annual installments of not more than 20%.

- Calculated on the amount of the loan rate of return by 4% (four percent) per annum over LIBOR 6 Months rate and be paid every six months.

28. Other Liabilities

	31/12/2017 US Dollar	31/12/2016 US Dollar
Accrued interest	56 026 451	40 531 156
Unearned revenue	1 444 283	808 907
Accrued expenses	775 347	1 168 316
Dividends payable*	23 622	23 614
Sundry credit balances	31 079 578	54 244 368
	89 349 281	**96 776 361**

*This balance represents dividends of shareholders for prior years and the ones concerned did not come forth to cash them.

29. Other Provisions

31/12/2017
US Dollar

Description	Balance at Beginning of the year	Translation Differences	Charged to Income Statement Note (11)	Used during the year	Refunds during the year	Year-end Balance
Provision for potential claims	10 687 046	81 088	(9 768 850)	--	--	**999 284**
Provision for contingent liabilities	1 207 025	30 141	628 331	--	--	**1 865 497**
Litigations provision	52 237	1 588	--	--	--	**53 825**
	11 946 308	**112 817**	**(9 140 519)**	--	--	**2 918 606**

The provision was formed by the expected fully bearing value, and it is expected that provision will be fully used during the subsequent periods.

31/12/2016
US Dollar

Description	Balance at Beginning of the year	Translation Differences	Charged to Income Statement Note (11)	Used during the year	Refunds during the year	Year-end Balance
Provision for potential claims	12 338 133	(1 605 092)	--	(140 934)	94 939	10 687 046
Provision for contingent liabilities	1 945 578	(789 676)	51 123	--	--	1 207 025
Litigations provision	123 437	(71 200)	--	--	--	52 237
	14 407 148	**(2 465 968)**	**51 123**	**(140 934)**	**94 939**	**11 946 308**

30. Deferred Tax (Liability)

	31/12/2017 US Dollar	31/12/2016 US Dollar
Balance at beginning of the year assets (liability)	(438 117)	(351 940)
Exclusions (Note 13)	(155 610)	(86 177)
Balance at the end of the year (liability)	**(593 727)**	**(438 117)**

31. Capital

	No of Shares (Per million) US Dollar	Nominal value per share US Dollar	Total US Dollar
Balance as of 1/1/2017	15	10	**150 000 000**
Balance as of 31/12/2017	15	10	**150 000 000**

- The Authorized capital on 31 December 2017 amounting to US Dollar 200 million with a nominal value US Dollar 10 per share, the issued and fully paid capital before increasing amounting to US Dollar 150 million divided on 15 000 000 shares of nominal value US Dollar 10 per share.

32. Reserves and Retained Earnings

	31/12/2017 US Dollar	31/12/2016 US Dollar
Reserves		
General Banking Risks Reserve (A)	7 341 072	10 382 224
Legal Reserve (B)	68 007 358	63 156 304
General Reserve	18 291 493	16 291 493
Capital Reserve	1 296 313	1 283 960
Fair Value Reserve-available for sale financial investments (C)	(17 725 520)	(28 451 258)
Special Reserve (D)	3 337 162	3 337 162
Total reserves at the end of the year	**80 547 878**	**65 999 885**

- According to the instructions of the Central Bank of Egypt dating 28 January 2017 in preparation for the applying of IFRS 9 standard and for the purpose of strengthening the financial positions of the banks to meet the expected increase in provisions due to the expected credit risk approach which take into consideration the future look to the economic positions (Forward Looking), so 21 342 356 US Dollar represent 1% from the total weighted credit risk was deducted from net profit after tax for the year 2017 to form the IFRS 9 risk reserve (In the proposed profit appropriation for the year ending 31 December 2017) and it will be used only by the approval of the Central Bank of Egypt.

Reserves movements are as follow:

	31/12/2017 US Dollar	31/12/2016 US Dollar
A -General Banking Risks Reserve		
Balance At Beginning Of The Year	10 382 224	8 885 955
Transferred from the Retained earning	(3 041 152)	1 496 269
Balance At the End Of The Year	**7 341 072**	**10 382 224**

- Under instructions of the Central Bank of Egypt to create bank risk reserve to encounter unforeseen risks, this reserve is distributed only after obtaining the approval of the Central Bank of Egypt.

	31/12/2017 US Dollar	31/12/2016 US Dollar
B –**Legal Reserve**		
Balance At Beginning Of The Year	63 156 304	58 872 767
Transferred from profit of the year	4 851 054	4 283 537
Balance At Ending Of The Year	**68 007 358**	**63 156 304**

- In accordance with the initial statute of the bank, 10% of the net profit of the year is retained to feed the legal reserve until the balance reaches 50% of the paid up capital, and the decrease of the reserve less than half specifies to return to truncation.

	31/12/2017 US Dollar	31/12/2016 US Dollar
C -**Fair value Reserve-available for sale financial investment**		
Balance At Beginning Of The Year	(28 451 258)	14 430 718
Net profit resulting from change in fair value (Note 20)	2 486 109	(42 796 431)
Amortization of Fair value reserve for bonds reclassified from available for sale to held to maturity date (Note 20)	8 239 629	2 368 337
Translation differences	--	(2 453 882)
Balance At Ending Of The Year	**(17 725 520)**	**(28 451 258)**

- Application of the presentation rules of banks' financial statements and the basis of recognition and measurement basis approved by the Board of Directors of the Central Bank of Egypt in its session on 16 December 2008, that are recognized directly in equity with profits and losses arising from changes in fair value of available-for-sale financial investments for this item, and that until the asset is excluded or impaired its value, then it is recognized in the income statement as gains and losses previously recognized in equity.

D –Special Reserve

- Requires the application of rules of preparation and presentation of financial statements and recognition and measurement basis approved by the Board of Directors of the Central Bank of Egypt in its session on 16 December 2008 amendments to the comparative figures for the first financial year to start the application which affects the balance sheet (Comparative figures) and income statement (previous financial year) for some items without the other, so that the net effects of adjustments which was exported through retained earnings to special reserve of equity which are used only with the approval of the Central Bank of Egypt.

	31/12/2017 US Dollar	31/12/2016 US Dollar
E -**Retained Earnings**		
Balance At Beginning Of The Year	76 195 406	47 796 384
Net profit of the financial year	36 416 814	48 522 896
Employees' share in profit	(10 188 000)	(10 188 000)
Board of directors' remuneration	(2 000 000)	(2 000 000)
Transferred to general banking risks reserve (Note 32/a)	3 041 152	(1 496 269)
Transferred to legal reserve	(4 851 054)	(4 283 537)
Transferred to general reserve	(2 000 000)	(2 000 000)
Transferred to capital reserve	(12 353)	(156 068)
Balance At Ending Of The Year	**96 601 965**	**76 195 406**

33. Dividends

Dividends are not recorded until the approval of the General Assembly of Shareholders. The Board of Directors proposes to the Assembly which will be held on March 29, 2018 to distribute US Dollar 1 per share for the year 2017 with total amount US Dollar 15 000 000 in addation to the shareholders' profit share the Board of directors susgest according to the bank regulations to the General Assembly to distribute US Dollar 7 500 000 as Employees share (The actual dividcnds amounting US Dollar 10 188 000 for the employees and US Dollar 2 000 000 as Board of directors remuneration for the comparison year) this decision is not recognized in these financial statements and the Distributions for shareholders, Employees share in profit and the board of directors remuneration will be recorded in the equity distributed from the retained earnings in the financial year ending December 31, 2018.

34. Cash and Cash Equivalent

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

	31/12/2017 US Dollar	31/12/2016 US Dollar
Cash and balances with central bank (Note 15)	43 536 422	21 692 029
Due from banks (Less than three months)	378 280 043	171 277 825
	421 816 465	**192 969 854**

35. Contingent Liabilities and Commitments

A- Capital Commitments

The bank's contracts for capital commitments amounted to US Dollar 5 243 833 at 31 December 2017 representing purchase of fixed assets contracts, such as branches constructions and pormotions, and the management have a sufficient confidence to achive net revenue and the availability to cover those commitments.

B- Commitments for loans, guarantees and facilities

The bank's commitments for loans,guarantees and facilities are represented as follows :

	31/12/2017 US Dollar	31/12/2016 US Dollar
Commitments for loans	756 094 629	460 571 218
Customers Acceptances	21 217 531	15 236 957
Letters Of Guarantcc	114 816 519	71 030 807
Letters Of Credit (Import)	39 580 489	24 079 971
Letters Of Credit (Export)	4 088 093	392 034
	935 797 261	**571 310 987**

C- Leasing Contracts Commitments

The total minimum lease payments for finance leases as follows :

	31/12/2017 US Dollar	31/12/2016 US Dollar
Not more than one year	256 574	268 891
More than one year and less than five years	554 851	482 121
	811 425	**751 012**

36. Transactions with Related Parties

The Bank deals with related parties on the same basis, when dealing with others, and the nature of the most important transactions and balances in the balance sheet date are as follows:

	31/12/2017 US Dollar	31/12/2016 US Dollar
Nature of transactions		
Due from banks	161 480 945	161 041 998
Loans and credit facilities to customers	4 721 827	4 778 691
Other assets	265 087	200 233
Due to banks	13 234 415	39 617 612
Customers' deposits	159 840 390	177 672 142
Other loans	150 000 000	150 000 000
Other liabilities	42 582	36 668

37. Mutual Funds

The first fund- the first mutual fund for SAIB – accumulated fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by Prime Investments for Managing Financial Securites.
- The Bank established the first investment fund under the license of the Egyptian Financial Supervisory Authority No. (133) issued on February 28th 1996 with a nominal value of LE 500 for the fund document. On 13 March 2007, the Capital Market Authority approved the value of the fund document by 1: 5 Egyptian instead of 500 Egyptian pounds; and the Article (6) of the prospectus of the First Fund was amended on 29th March 2007.
- The number of the certificates reached 37 997 with a total value of US Dollar 214 337 the bank's portion 14 615 certificates with a nominal value of US Dollar 82 442 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 1 032.65 on the date of the balance sheet equivalent to US 58.25

The Second fund – the second mutual fund for SAIB – accumulated interim returu fund and free certificates

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by Prime Investments for Managing Financial Securites.
- The bank established the second mutual fund Under license no 178 issued from Financial Supervisory authority on September 4,1997 with a nominal value of LE 100 for each.
- The number of the certificates reached 44 819 with a total value of US Dollar 252 819 the bank's portion 20 235 certificates with a nominal value of US Dollar 114 143 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 703.31 on the date of the balance sheet equivalent to US Dollar 39.67

The Third fund (EL RABEH) – the third mutual fund for SAIB - interim return fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by EFG Hermes Holding instead of Prime Investments for Managing financial Securities since its related management contract has been treminated as at 4th November. 2013.
- The bank established the third mutual fund on December 31,1998 through general finance controlling authority license no. (248) with a nominal value of LE 100 for each
- On April 22,2007 the name of the fund changed from the third fund to be (EL RABEH).
- The number of the certificates reached 225 761 with a total value of US Dollar 1 273 493 the bank's portion 50 000 certificates with a nominal value of US Dollar 282 044 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 148.59 on the date of the balance sheet equivalent to US Dollar 8.38.

The Fourth fund (Sanabel) – the fourth mutual fund for SAIB – Accumulated interim return fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by HC for securities instead of Prime Investments for Managing Financial Securities since December 21, 2011.
- The Bank established the Sanabel Investment Fund in accordance with Islamic Sharia Law in cooperation with the Abu Dhabi Islamic Bank - Egypt (formerly the National Bank for Development) under the license of the Capital Market Authority No. (377) of 20th December 2006 with a nominal value of LE 100.
- The number of the certificates reached 222 160 with a total value of US Dollar 1 253 180 the bank's portion 25 000 certificates with a nominal value of US Dollar 141 022 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 153.72 on the date of the balance sheet equivalent to US Dollar 8.67

The daily cash fund – the fifth mutual fund for SAIB – Accumulated daily return fund

- The mutual fund is one of the banking activities authorized for the bank according to Capital Market Law No. 95 for the year 1992 and its executive regulation. The Fund is managed by Blton Mutual fund management.
- The bank established the daily cash fund on June 4,2014 through general finance controlling authority license no. (691) with a nomianl value of LE 10 for each.
- The number of the certificates reached 3 695 616 with a total value of US Dollar 2 084 656 the bank's portion 500 000 certificates with a nominal value of US Dollar 282 044 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 14.00 on the date of the balance sheet equivalent to US Dollar 0.79

38. Tax Position

A- Societe Arabe Internationale de Banque

- **First: Corporate Tax**

Years from the date of commencement of activities till 2004

- The bank was inspected for these years and the related due taxes were paid and the delay penalties are under reviewing.

Years from 2005 till 2006

- The tax returns for those years were prepared and submitted on due dates in accordance with Law No. 91 for 2005 and the bank was inspected for these years and resulted in tax losses.

Years from 2007 till 2010

- The tax returns for those years were prepared and submitted on due dates in accordance with Law No. 91 for 2005 and the bank was inspected for these years and resulted in nothing.

Years from 2011 till 2016

- The tax returns for those years were prepared and submitted on due dates in accordance with Law No. 91 for 2005 and the bank is under inspection for these years.

- **Second: Salary Tax**

Years from the date of commencement of activities till 2015

- The bank was inspected for these years and the related due taxes were paid.

Years from January 1, 2016 till December 31, 2017

- The Bank calculates, deducts and remits the salary tax on due dates in accordance with Law No. 91 for 2005, and are currently under inspection by large taxpayer center.

- **Third: Stamp Tax**

Years from the date of commencement of activities till 2007

- The Tax Authority inspected the bank for these years and the bank paid the due tax differences.

Years from January 1, 2008 till December 31, 2017

- The Bank shall pay the tax payable every three months in accordance with the provisions of Law No. (111) of 1980 and its amendments.

B- The position of SAIB - Port Said (Port Said National Bank For Development - Previously) that has been merged on January 1, 2008 with Societe Arabe International De Banque (SAIB).

- **First: Corporate Tax**

Years from the 1981 till 1997

- The bank was inspected and the related due taxes were paid for corporate tax from the beginning of activity July 1981 to 30 June 1997.

Years from 1998 till 2002

- The dispute with the Tax authority was finalized, and the related due taxes were paid. The dispute on the portion of capital increase was transferred to the judicial court.

Years from 2003 till 2004

- The dispute with the Tax authority was finalized, and the related due taxes were paid, the dispute on the portion of capital increase interest are transferred to the judicial court.

Years from 2005 till 2007

Tax returns were submitted in accordance with the Law (91) of 2005 on the legal due dates of the competent tax office.

- **Second: Salary Tax**

Years from the date of commencement of activities till 2004

- The bank was inspected for these years and the related due taxes were paid.

Years from 2005 till 2007

- These years were not inspected till now

- **Third: Stamp Tax**

Years from the date of commencement of activities till 30/06/2004

- The dispute with the Tax authority has finished, and the related due taxes were paid.

Years from 01/07/2004 till 2007

- The bank was inspected for these years, and the objection form was sent by the bank and an internal committee is being held to solve the dispute.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman and Managing Director
Hamdy Ghazy Ibrahim	Hassan Abdel Meguid	Mohammed Naguib Ibrahim